

Why US Web Site Owners Should Watch Foreign Suits

Law360, New York (November 10, 2008) -- Just when you thought it was safe to enter the waters of "thumbnail imagery" in light of the Ninth Circuit decision in *Perfect 10 Inc. v. Google Inc.*, recent court decisions in Germany may give some pause to ISPs, online content providers, and Web site owners that display third-party content.

The Hamburg Regional Court in Germany held that Google infringed the copyrights of a photographer and an artist by publishing their drawings without permission as low resolution, thumbnails in connection with Google's search service. See Case Numbers 308 O 42/06 and 308 O 248/07.

This result directly contradicts the Ninth Circuit's *Perfect 10* decision, where the Court held that Google's use of thumbnail images in its image search tool constituted fair use. See *Perfect 10 Inc. v. Google Inc.*, 508 F.3d 1146, 1165-68 (9th Cir. 2007).

The crux of the Ninth Circuit's decision, which reversed a Central District of California finding for preliminary injunction against Google, was that Google's search engine display of thumbnail images was highly transformative and served an important public benefit that outweighed the commercial nature of Google's uses of the thumbnail images.

Similar to its approach taken when it initially lost the *Perfect 10* case, Google has vowed to appeal the German decisions.

The Ninth Circuit's decision provides important judicial guidance regarding the fair use defense in the United States and the concept of transformative use as applied to digital media. In this regard, U.S.-based Web site owners may erroneously see *Perfect 10* as a security blanket, e.g. "Well, we don't operate in Germany."

However, those who publish or display the content of others should keep abreast of international developments like the Google cases in Germany, especially if their websites display or allow the posting of content from copyright owners outside the United States.

Web site owners should be especially vigilant if suits are brought against them in foreign courts.

While it may be tempting to ignore or opt not to defend (whether it be because of language barriers, a lack of familiarity with local rules, an assumption that conduct permitted in the United States must necessarily equate to permissible conduct in the foreign jurisdiction, or even just a belief that, well, such suits seem just so far away from the physical location of one's business), this ultimately may not be a good strategy.

A company called Viewfinder learned this the hard way.

Last year, the U.S.-based company found itself trying to convince the Second Circuit to affirm the dismissal of two judgments that were issued against Viewfinder from the Tribunal de Grande Instance de Paris in France.

Viewfinder, which operates a Web site that features photographs of runway models taken at design fashion shows around the world, had displayed some photographs from fashion shows of several noted fashion design houses, including Louis Feraud and Pierre Balman.

It did not secure Louis Feraud's and Pierre Balman's permission to use the photographs before displaying them and, subsequently, was sued under France's copyright laws.

Unlike the United States, which does not afford copyright protection to fashion designs, "creations of the seasonable industries of dress and articles of fashion" are entitled to copyright protection under French law.

Viewfinder opted not to defend the actions, default judgments were issued, and the plaintiffs then filed suit in the Southern District of New York to enforce the judgments under New York's Uniform Foreign Money Judgment Recognition Act.

The United States District Court for the Southern District of New York declined to enforce the judgments, holding that doing so would be "repugnant" to the public policy of New York. *Louis Feraud Int'l S.A.R.L. v. Viewfinder Inc.*, 406 F. Supp. 2d 274, 285 (S.D.N.Y. 2005).

The court found that the fashion shows at issue were public events and that Viewfinder was well within its First Amendment rights under U.S. law to publish the photographs taken at those public events.

Additionally, in so far as the French judgments were based on copyright laws, the court commented a "fair use" exception for the publication of newsworthy matters existed.

The Second Circuit reversed the decision and remanded the case back to the lower court. *Louis Feraud Int'l v. Viewfinder Inc.*, 489 F.3d 474, 484 (2d Cir. 2007).

The Second Circuit held that the District Court did not properly analyze whether the French intellectual property laws that gave rise to the foreign judgments provided protections comparable

to protections under the First Amendment. *Id.* at 483.

It also cautioned that even if Viewfinder's Web site constituted a news magazine, the First Amendment is not an absolute defense and a more in-depth analysis of whether Viewfinder's use constituted fair use was required. *Id.*

As of Nov. 7, 2008 (the date of this writing), the District Court has yet to rule on these issues on remand. But the Second Circuit's decision potentially places Viewfinder at a decided disadvantage. By defaulting on the foreign judgments, Viewfinder never explored whatever defenses French law afforded.

If French laws provided certain defenses akin to "fair use" in some degree, the District Court, arguably, must accept the French court's judgments as decisions on the merits of whatever claims and defenses are at issue. Indeed, the Second Circuit went so far as to speculate (but not expressly hold) that French laws may afford defenses similar to the fair use defense available under U.S. law.

To make matters worse, the Second Circuit pointed out that the standard that defendants have to meet to render foreign judgments unenforceable is fairly high: "Public policy ... rarely results in refusal to enforce a [foreign] judgment unless it is inherently vicious, wicked, or immoral, and shocking to the prevailing moral sense." *Viewfinder*, 489 F.3d at 479.

The Court noted that "The standard is high, and infrequently met" and that "mere divergence from American procedure does not render a foreign judgment unenforceable ... Only in clear-cut cases ought [the public policy exception] to avail defendant." *Viewfinder*, 489 F.3d at 479.

This standard is not met if foreign copyright law extends protection to works that are not protected under United States law.

Indeed, both the Second Circuit and the District Court specifically rejected Viewfinder's arguments that the French judgments were morally "repugnant" to New York public policy because U.S. copyright law did not extend to fashion designs. *Id.* at 479 n.3.

There are two lessons to draw from here.

First, even if U.S.-based ISPs, search engines and website owners might believe that their actions are governed by U.S. law, they should not ignore claims asserted against them in international courts.

Since Internet-based websites hardly pose territorial limits, exposure to varying copyright laws may become more of the norm than the exception.

This is especially true when the content originates from third parties who reside outside of the United States.

As the Google cases in Germany and the Viewfinder cases in France show, international copyright laws may afford greater protection (and liability exposure) than U.S. law.

This divergence presents practical issues for U.S.-based website owners that publish third-party content or allow third-party content to be published on their Web sites.

Without a uniform multilateral copyright protection treaty beyond the basics provided in the Berne Convention (a concept that would appear to be many, many years in the making, if ever), Web site owners must learn to live with, and possibility minimize or eliminate, these risks.

Second, if ever presented with a lawsuit in a foreign jurisdiction, do not assume that the case need not be challenged because of the "obvious" jurisdictional issues involved.

Web site owners should be prepared to defend themselves in international jurisdictions if the content that they display originates outside the United States.

U.S.-based Web site owners may very well have compelling jurisdictional arguments to raise against the international suit. But those arguments are only worthwhile if they are actually asserted.

Companies (like Google) that adopt a proactive strategy and contest the underlying merits of the case may find themselves better off in the long term.

Even if unsuccessful, this strategy builds a solid foundation upon which to render the international judgment unenforceable in the United States on First Amendment or other grounds.

If international laws conflict with First Amendment or fair use principles under United States law, what better way to flush out those differences by building a record at the international court level?

Web site owners who opt for a "do nothing" approach by defaulting in an international copyright suit potentially place themselves at an unnecessary disadvantage.

Not only must they meet a high standard of proving that the judgment is morally repugnant but, in cases where the judgment is based on copyright, they may find themselves arguing after the fact that the judgment is based on laws that do not provide similar fair use or First Amendment protections.

The problem is, if such protections or defenses do exist, the Web site owner has missed its chance to raise them and the U.S. Court may have no choice but to accept the international judgment on its merits.

Hanging one's hat on First Amendment or fair use grounds (both of which are affirmative defenses and not without their own limits) may be a daunting and potentially risky strategy.

And when that default foreign judgment suddenly (and inevitably) arrives in the United States for enforcement, those who failed to confront the claim head on in the foreign jurisdiction may regret doing so.

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